Retirement Savings and Resilience: A Comparison of Hispanic/Latinos' and Non-Hispanic/Latinos' Responses to Retirement Insecurity

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Abstract

Hispanic/Latinos have the lowest retirement savings of any U.S. demographic, a looming crisis in light of their numbers, relative youth and longer life expectancy. This paper finds that Hispanic/Latinos' collectivist practices of building social wealth and mutual support are a resilient response to their financial and retirement savings insecurity. To a lesser extent, non-Hispanic/Latinos also employ collectivist practices as a substitute for formal retirement savings. Collectivist practices are a source of resilience and the competencies that inform collectivist practices represent a valuable form of social literacy that complements financial literacy.

Introduction

The devastating economic effects of COVID-19 in the United States have brought Hispanic/Latinos' pre-existing financial precarity into stark relief. In March 2020, when the crisis began, 70% of Hispanic/Latinos did not have enough funds to cover rent, food and other expenses for the next three months and they did not expect to be able to make it up through savings, sale of assets or bank loans (Romero 2020). How, then, have Hispanic/Latinos been getting by? Without access to credit from banks, where have they obtained short term loans to stay afloat in emergencies? How have they secured housing in the absence of funds to pay rent? On whom have parents depended for childcare? How have Hispanic/Latino retirees with no accumulated retirement savings avoided destitution?

Beneath the radar, many Hispanic/Latinos have been coping with their material insecurity and estrangement from formal sources of savings by practicing "collectivism" as a substitute for formal retirement savings. Our study evaluates the extent that Hispanic/Latinos' reliance on collectivist networks not only compensates for their estrangement from the formal savings system but also displaces formal retirement savings. We also compare the role of collectivist exchanges in the retirement saving behavior of non-Hispanic/Latinos. Finally, we evaluate the extent that reliance on collectivist support affects retirement readiness among Hispanic/Latino and non-Hispanic/Latino pre-retirees, and we assess the importance of such support among those older than 67 years of age.

Half of U.S. workers have no retirement savings. Retirement insecurity in the United States in large part results from the decline since the 1970's of American employers' commitment to guaranteed pensions for workers and the rise of voluntary, tax-deferred, defined contribution (DC) plans administered through (but not funded by) the employer (Mitchell and Schieber 1998 and Ghilarducci 2008). Dire as American's retirement insecurity appears to be, the prospects for Hispanic/Latinos, the nation's largest minority group, are far worse. Less than one-third of full-time Hispanic/Latino employees participate in a pension plan through their job. Scholars have identified the primary structural barriers to Hispanic/Latino workers' participation in DC plans: most work for employers, especially small firms, that do not offer any retirement savings plan and many Hispanic/Latinos who do work at jobs that administer DC plans do not meet the company's eligibility or vesting rules (Bassett et al. 1998, Sun and Ghilarducci 2004, Choi et al. 2004, Miranda 2009, Brown and Oakley 2018, Rhee 2013 and Messacar 2018). Automatic enrollment has been somewhat effective in boosting Hispanic/Latino participation rates (Thaler and Benartzi 2004 and Rodriguez and Orszag 2005).

Concerns about the capacity of ordinary Americans to manage their retirement nest eggs has also fueled significant research. Hispanic/Latinos are more likely than other cohorts to take lump sum distributions and to spend the funds rather than reinvest them (Ariel/Aon Hewitt 2009 and 2012).

Scholarship exploring financial literacy and distrust of financial firms has drawn attention to the need for bolstering Hispanic/Latinos' participation in banking and in financial education (Hogarth and Hilgert 2002, Bernheim 1998, Stango and Zinman 2006, and Lusardi and Mitchell 2011 and 2014). Other scholars have assailed the financial literacy narrative for essentially blaming workers for low accumulations in their retirement savings and for reinforcing stereotypes of gender, ethnicity and race. They suggest that savers' lack of confidence in defined contribution plans is not unwarranted (Wickens and Sandlin 2007, Ghilarducci 2008 and Olen 2013).

Recognition that economic factors alone could not explain the causes of Hispanic/Latinos' low retirement savings inspired our previous study's interdisciplinary approach, which attempted to merge Anthropology and Economics, the two disciplines at the extreme theoretical and methodological ends of social science (Grossbard 1978:33). Combining economics and anthropological perspectives on causality, [1] we endeavored to shed light on some of the cultural and social factors influencing Hispanic/Latinos' financial behavior (Richman, Ghilarducci, Knight, Jelm and Saad-Lessler 2012, and Saad-Lessler and Richman 2014). We found that Hispanic/Latinos were investing in their kin and social networks as a substitute for investing in retirement savings plans.[2] They were strategically building bonds of mutual trust, or *confianza,* which operate like a social credit score, to validate one's future right to request interpersonal loans and to participate in *la tanda*, or a rotating savings and credit association (Vélez-Ibañez 1983).[3] This ethos is called *familismo*, since it is based in extended, multigenerational families, but may include honorary or fictive kin (Steidel and Contreras 2003, Fisher and Hsu 2012, Smith-Morris et al. 2013, Barros, Lane, and Pritzker 2016).[4] It is akin to "collectivism" (Hofstede 1980, Triandis, et al. 1984, Falicov 2001). Members of Hispanic/Latino collectivist networks pool resources, share housing and circulate care across families, households and generations. They build social credit and social wealth in an informal "bank" from which they are entitled to draw in the short and long term, in emergencies and in retirement.

Our study contributed to a growing body of scholarship examining *familismo* in relation to financial behavior, including Barbara Robles' (2009) discussion of the mismatch between Hispanic/Latinos' informal, communal

[1]Anthropology's explanation of causality can encompass multidirectional, dynamic interplays of ethos, social relations, practices and institutions. For example, a collectivist ethos, with its emphasis on group solidarity rather than individual autonomy, may influence collectivist behavior long after its utility, or the threat of material vulnerability, subsides. Econometrics requires isolating each direction in order to identify causality.
[2]Our approach entails an attempt to merge the two disciplines at the extreme theoretical and methodological ends of social science (Grossbard 1978:33). Anthropology and Economics may differ the most in their explanations of causality. Anthropology's explanations highlight the intersections of ethos, behavior, and institutions, which can contribute to multidirectional, dynamic interplays of causal influences in particular contexts. For example, a collectivist ethos, with its emphasis on group solidarity rather than individual autonomy and choice, may influence collectivist behavior long after the threat of material vulnerability subsides. Econometrics requires isolating each direction in order to identify causality.
[3] A valorization of Hispanic/Latinos' informal banking practices occurred in the 1990's when Second Federal Savings and Loan of Chicago (now Self Help Credit Union) accepted *tanda* members' receipts to build credit, which they could use toward securing loans; a similar policy was later adopted by San Francisco-based Mission Asset Fund (Richman et al. 2012 and Quiñones 2015).

financial practices to build wealth and mainstream financial institutions, which emphasizes binding contracts between individuals, individual property rights, and individual liability. Our findings corroborated Jody Vallejo's (2012) data showing that Mexican-heritage professionals who grew up poor regularly engaged in "off-label" use of their retirement savings plans and student loans, diverting funds to help poorer family members. We also saw that older Hispanic/Latino immigrants who support their elders were nonetheless unsure about whether to expect the same care from their own American-born offspring in the future, which they attributed to pressures of an individualistic U.S. culture and financial insecurity and the time-bind (Angel and Angel 2009).

In this paper, we extend and update our previous findings on the relationship between Hispanic/Latinos' collectivism and retirement savings through the analysis of a new body of national survey data. We evaluate the prevalence of collectivist practices among non-Hispanic/Latinos and gauge the extent that these practices impact participation in formal retirement savings accounts. We also assess the extent that reliance on collectivist support supplements the savings portfolios of pre-retirees and provides a source of income to elderly past the age of 67.

Data and Methods

This study uses data from the 2014 Survey of Income and Program Participation (SIPP), a longitudinal (four year) household survey conducted by the U.S. Census Bureau, which includes 72,919 person interviews recorded from February through June 2014. We also make use of the 2014 Social Security Administration (SSA) Supplement, which includes data on pension plan participation.

Although SIPP does not measure collectivism directly, it does offer information on amounts of direct financial support exchanged beyond the nuclear family with friends, relatives, charity and community organizations. The SIPP also contains information on whether people gave or received in-kind, or non-monetary help. Our analysis necessitated the development of methods for measuring the value of an individual's savings accumulations, which include formal and informal assets. Formal savings accumulations include net worth, defined contribution (DC) balances[5], as well as the value of expected income streams from Social Security and defined benefit (DB) pensions after age 67. On the informal side, we measure the monetary value of collectivist support received from family members beyond the nuclear family household and friends. We thus created methods to capture the value of both formal assets as well as informal assets (collectivist support), which are detailed in the appendix.

The unit of analysis for the study is personal income, which groups people into three quantiles: the lower 40% (below $23,185), the middle 30% ($23,185-$48,799), and the upper 30% ($48,800+). Measures of collectivism indicate similarities between Hispanic/Latinos and non-Hispanic/Latinos, but there are some differences between the two cohorts (see Table 1). Both among Hispanic/Latinos and non-Hispanic/Latinos, financial support of an older child living outside the house increases with personal income. Those with lower incomes are more often on the receiving end of childcare by grandparents and relatives, monetary help from one's network (including to help pay for childcare), and are much more likely to receive in-kind housing, both among Hispanic/Latinos and non-Hispanic/Latinos. Lower income households are also more likely to host non-nuclear family members in both groups. In each case, Hispanic/Latinos practice a higher degree of collectivism than non-Hispanic/Latinos. For example, 18% of non-Hispanic/Latinos live in someone else's household, while among Hispanic/Latinos, that number is 25%. Also,

[5] DC personal retirement balances include IRA, KEOGH, 401k, 403b, 503b, and Thrift Savings Plan accounts.

the incidence of childcare provided by grandparents (and other relatives) is 5.15% (2.58%) among non-Hispanic/Latinos, but it is 6.29% (5%) among Hispanic/Latinos.

However, financial support to parents living outside the household increases with income among non-Hispanic/Latinos, while among Hispanic/Latinos, lower income households are more likely to provide financial support to parents. Also, financial support provided to relatives and non-relatives increases with income among non-Hispanic/Latinos, but among Hispanic/Latinos, middle income folks are the most likely to provide financial support. Finally, lower income non-Hispanic/Latinos are more likely to provide in-kind housing support to non-nuclear family members, while among Hispanic/Latinos, middle and upper income people are most likely to be hosting non-nuclear family members in their households.

Analysis

Our analysis of the SIPP data reiterates the magnitude of the shortfall in American workers' retirement savings accounts. Fifty-eight percent of non-Hispanic/Latino respondents to the survey (13,921) have no DC retirement savings whatsoever, compared with 10,053 (42%) who have at least some funds in their DC accounts. Among Hispanic/Latinos, the retirement savings deficit is even more stark. Eighty-one percent of Hispanic/Latino respondents have no formal retirement savings in DC accounts, and only 19% have saved up some money for retirement using their DC accounts.

We examine the retirement savings behavior of those who participate in DC savings programs (savers) in contrast to those who do not participate (non-savers). Non-savers are more likely than savers to receive help from family and friends in the form of money, housing and childcare (see Table 2). Comparing non-savers to savers and non-Hispanic/Latino to Hispanic/Latino cohorts: 5% (4%) of non-Hispanic/Latino (Hispanic/Latino) non-savers receive money from their social network, including help to pay for childcare, compared with 2% (2%) of savers, and 18% (24%) of non-savers receiving in-kind housing assistance (they are living in someone else's household) compared with 5% (9%) of savers. Non-Hispanic/Latino non-savers are more likely to provide housing assistance than savers (14% vs. 13%). Hispanic/Latinos are more likely than non-Hispanic/Latinos to provide housing to others, but there is no difference in housing provision between Hispanic/Latino savers and Hispanic/Latino non-savers (22% vs. 22%).

Financial support to parents living outside the non-Hispanic/Latino household differs little between savers and non-savers (1.4% vs. 1.2%), while among Hispanic/Latinos, non-savers are more likely to support parents beyond the household compared to savers (6% vs. 5%). Collectivist exchanges, both provided and received, take up a larger share of income among non-savers than among savers. Hispanic/Latinos reserve a smaller share of their income than non-Hispanic/Latinos to provide financial support to people in their network: 4-6% among Hispanic/Latinos vs. 6-8% among non-Hispanic/Latinos. On the other hand, the financial support received comprises a much larger share of personal income among Hispanic/Latinos than among non-Hispanic/Latinos: 7-83% for Hispanic/Latino savers and non-savers, compared to 9-28% for non-Hispanic/Latino savers and non-savers. These numbers reinforce our previous findings that Hispanic/Latinos rely more on collectivism than non-Hispanic/Latinos.

As expected, the general financial circumstances of people who save formally for retirement are rosier than those of non-savers and the differences between the two groups are much larger among Hispanic/Latinos, whose net worth and income lag behind the other demographics. Non-Hispanic/Latino savers have 288% greater net worth than non-savers ($325,073 vs. $112,595) -- but Hispanic/Latinos who participate (and have non-zero balances) in DC plans have 939% greater net worth than those who do not participate ($321,689 vs. $34,250). Similarly, when we examine personal income, we see that non-Hispanic/Latino savers have 250% higher annual personal income than non-savers ($66,267 vs. $26,412) compared with 273% for Hispanic/Latino savers and non-savers ($53,797 versus $19,650).

This simple comparison of savers with non-savers gives an overview of how Hispanic/Latinos differ from non-Hispanic/Latinos. To achieve a more thorough investigation of the causal relationship of collectivism and retirement savings, we utilize a probit analysis, where the likelihood of saving for retirement in a DC account is predicted using Maximum Likelihood methods. The probit analysis is conducted separately by personal income quantile and by including direct and indirect measures of financial wellness in the empirical specification. To obviate the question of reverse causality that may be raised by our estimation of coefficients in the probit, we note that so long as measures of collectivism are not endogenously determined with financial wellbeing, the coefficients on collectivism reflect the impact of collectivism on the likelihood of having a non-zero retirement account, and not the other way around. Measures of collectivism are less likely to suffer from omitted variable bias because indicators of financial wellness are included in the regression and the regression is run separately by income group.

Controlling for financial wellness, the probit analysis reveals that the likelihood of saving for retirement in a DC account decreases with receipt and provision of collectivist support in the form of housing (see Tables 3a, 3b). Among non-Hispanic/Latinos, receipt of housing reduces the likelihood of saving in a DC account by 3.5 percentage points (pp) among the poorest, while the provision of housing reduces DC saving by 2.8pp. The impacts for Hispanic/Latinos are larger. Poor Hispanic/Latinos are 4.7pp less likely to save formally in a DC account if they receive housing support and they are 3.5pp less likely to save if they provide in-kind housing support. The negative impacts of housing receipt and provision on DC savings are more pronounced among middle income Hispanic/Latinos and non-Hispanic/Latinos, but the effects are not statistically significant for Hispanic/Latinos. These results buttress the hypothesis that those who practice collectivism--as receivers *and* givers within their network--are less likely to use the formal savings system; they invest in their network in lieu of the formal sector.

Analysis of the 2014 SIPP data also highlights the relationship between support for childcare and the ability to save for retirement. The cost of childcare is significant; families can spend up to a quarter of their income on childcare, especially in metropolitan locations. In Illinois, the average cost is 20%, in Massachusetts it is 22% and in California it is 25% (Malik 2019). Avoiding these expenses by receipt of childcare support from relatives helps parents put money away for retirement, especially (but not exclusively) among those members of the middle 30%. Relative-provided childcare increases the incidence of saving for retirement by 10.7pp among middle income non-Hispanic/Latinos, and by 9.6pp among Hispanic/Latinos, but the latter impact is not statistically significant.

Among non-Hispanic/Latinos in the upper-quantile of income, the incidence of saving in a DC account declines by 6.9pp due to the provision of financial support to relatives and non-relatives living outside the household, and by 7.2pp when receiving financial support from one's collectivist network. These indicators of a negative impact of collectivism on formal retirement savings are not present among Hispanic/Latinos in the upper income quantile. This finding suggests that for Hispanic/Latinos, the ethos of collectivism (or *familismo*) can complement building financial wealth.

Further predictors of saving for retirement in a DC account are enumerated below. Higher household income, home ownership and current or previous participation in a DB plan all predict a higher likelihood of saving in a DC account. Marriage is a stronger predictor of saving for retirement than being single, whereas living with a partner predicts a reduced likelihood of having non-zero retirement savings among the top 30% of non-Hispanic/Latinos, but that impact is not statistically significant for higher-income Hispanic/Latinos. In addition, living in a metro area, being age 50-61, being native born, and for the foreign-born, living in the country longer, all predict an increased likelihood of saving in DC accounts, an unsurprising finding given that these demographic indicators are associated with financial wellness. Females are also more likely than males to enroll in a DC retirement account.

Next, we investigate the value of collectivism as an informal retirement savings asset by attributing a monetary worth to the collectivist support. We focus on two key demographics in our study of retirement savings: those ages 67+, who have reached full retirement age and are likely to be relying on retirement assets for their primary income, and those ages 55-66, who are close to retirement age and are therefore at the most critical period for accumulating retirement savings. We examine data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement and compare Hispanic/Latinos to others.

Starting with individuals ages 67+, we find that 8% of the non-Hispanic/Latino elderly receive collectivist support, compared with 19% of their Hispanic/Latino peers (see Table 4). The fact that Hispanic/Latino elderly are more likely than their non-Hispanic/Latino counterparts to receive support from collective networks suggests that Hispanic/Latinos' informal investments into their collective network while they are young pay off in old age. How important is this support?

Among the poorest elderly who receive collectivist support, such help comprises 56% of Hispanic/Latinos' income, compared with 49% of income for non-Hispanic/Latinos. This finding implies that collectivism serves more of a safety net function among Hispanic/Latinos than non-Hispanic/Latinos.

We also analyze the situation of pre-retirees ages 55-66 by comparing the values of all assets, including informal collectivist supports with recommended savings targets[6] (see Tables 5a, 5b). Among this population, 8% of non-Hispanic/Latinos achieve sufficient retirement savings, but that fraction jumps to 13% when those pre-retirees receive collectivist support.

Among Hispanic/Latinos, only 6% of pre-retirees have enough assets to maintain their standard of living in retirement, but for those who receive collectivist support, 25% are ready for retirement. This result demonstrates the importance of collectivist support in helping pre-retirees, and especially Hispanic/Latinos on the cusp of retirement, meet their retirement savings needs.

In sum, we find evidence that those who lean on their collective networks are less likely to save formally for retirement, but this investment in collectivist support seems to pay off in old age, because up to 19% of Hispanic/Latino elderly receive collectivist support, and this support constitutes up to 56% of their total income. Non-Hispanic/Latino elderly also benefit from collectivist support, but to a lesser degree than their Hispanic/Latino counterparts.

Conclusion

Our study finds that collectivism is a safety net that compensates for the shortfall in formal savings accumulations. Those who invest in their collective networks are less likely to save formally for retirement but this investment in collectivist support is an essential safety net in old age. This dynamic is especially salient for Hispanic/Latinos, who are the least likely to participate in the formal retirement savings system. Our methodology provided a means of attributing a monetary value to collectivist assets, which demonstrated that approximately one fifth of Hispanic/Latino elderly rely on collectivist support for more than half of their income. Non-Hispanic/Latino elderly also benefit from their collectivist assets, but to a lesser degree than their Hispanic/Latino counterparts. Moreover,

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[6] We adopt Fidelity's savings targets by age, which recommend saving 10x (times) pre-retirement income by age 67 (https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire).

the value of collectivist support increases the likelihood of having adequate savings for retirement among all pre-retirees ages 55-66, and especially Hispanic/Latinos.

There are implications from our findings on retirement savings security for the U.S. population as a whole, not only Hispanic/Latinos. The collectivist ethos, or *familismo,* has long influenced Hispanic/Latinos' economic behavior and has helped them cope with precarity. But growing income inequality and financial insecurity combined with rising costs of housing, healthcare, education and childcare have also influenced the adoption of more collectivist practices among non-Hispanic/Latinos. This trend is especially apparent in the spread of multigenerational households to the White U.S. demographic. The number of Hispanic/Latino multigenerational households grew from 23% in 2009 to 27% in 2016 while the number of multigenerational White households increased from 13% in 2009 to 16% in 2016 (Cohn and Passel 2018).

Over the past five decades, the middle class has experienced "the great risk shift" (Hacker 2019); not only did workers face job insecurity, they bore more individual responsibility for staying afloat. The decline of retirement savings from employer-provided, defined benefit pensions to voluntary, defined contribution plans has contributed to the widening gap between the affluent and the rest of society and our findings show vast differences in the net worth and income of those with retirement savings compared to those without. "Financial individualism" is the province of those with enough resources to be economically and socially independent. Among the "middle precariat" (Standing 2014) cooperative sharing of caregiving and financial help seems to be increasing.

COVID-19 has exacerbated Americans' pre-existing retirement savings shortfall. Unemployment has been particularly hard on Hispanic/Latinos, and more "Baby Boomer" Hispanic/Latinos left the workforce in 2020 than other groups: an increase of 4 percentage points compared to 1% for Whites and Blacks (Krogstad and López 2020). Needless to say, unemployment means depleting nest eggs and impeding contributions to retirement savings. Hispanic/Latinos' cooperative practices no doubt prepared them to cope with the economic effects of the pandemic, but at the same time, COVID-19 has been particularly harsh on the health and mortality rates of Hispanic/Latinos' multigenerational households (Centers for Disease Control and Prevention 2021 and Grossbard and Aparicio 2020).

One of the most striking facts about retirement savings in the United States is the large number of Americans who have no voluntary, DC retirement savings whatsoever. Our research sheds light on an underappreciated resource that all Americans, and especially Hispanic/Latinos, rely on -- the support of their informal network of family and friends. Collectivist practices are a source of resilience and the competencies that inform these practices represent a form of social literacy that complements financial literacy.

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Table 1
TABULATION OF COLLECTIVIST BEHAVIOR BY PERSONAL INCOME QUANTILE

	Non-Hispanic/Latino			**Hispanic/Latino**		
Quantile of the personal income distribution	**1**	**2**	**3**	**1**	**2**	**3**
Provided financial support to parents living outside the house	0.82	0.84	1.84	6.10	7.54	4.93
Provided financial support to child age 21+ living outside the house	0.87	1.15	2.19	0.81	1.49	2.69
Provided financial support to relatives and non-relatives living outside the house	0.69	1.24	1.62	2.05	3.43	2.91
Childcare provided by grandparent	5.15	3.75	3.42	6.29	6.51	4.48
Childcare provided by other relative	2.58	1.86	1.31	5.00	3.20	2.91
Indicator of housing receipt	18.15	8.42	3.47	25.06	17.03	6.28
Indicator of housing provision to family/friends/non-relatives	15.45	15.24	13.83	22.39	24.34	24.22
Received help from community/charity/friends/family, including help paying for childcare in the reference period	4.72	2.64	2.19	4.67	1.37	2.02
Mean number of non-nuclear family members in household	0.59	0.38	0.26	1.05	0.92	0.54

Notes: Authors' tabulation of data from the twelfth month of the 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Numbers indicate the incidence of collectivist behavior by personal income quantile. Number of non-nuclear household members is an average across 12 months. These include relatives and non-relatives, foster children and children age 21+ who are not the spouse/partner/child younger than 21 of the householder (excluding roommates and boarders). Quantile 1: bottom 40% earning $1-$23,185, quantile 2: middle 30% earning $23,186-$48,799, quantile 3: top 30% earning $48,800+.

Table 2

COMPARING THOSE WITH ZERO AND NON-ZERO RETIREMENT SAVINGS BALANCES

	Non-Hispanic/Latino			Hispanic/Latino		
	DC savings=0	DC savings>0		DC savings=0	DC savings>0	
Observations	13,921	10,053		2,758	660	
	58%	42%		81%	19%	
Gave $ support to parents outside the house	1.2%	1.4%	***	6%	5%	
Gave $ support to child 21+ outside the house	1%	2%	***	1%	2%	**
Gave $ support to relatives and non-relatives outside the house	1%	1%		2%	2%	
Got $ help from family/ friends/community/charity	5%	2%	***	4%	2%	**
Grandparent Childcare	5%	4%	**	5%	7%	
Relative Childcare	2%	2%		4%	4%	
Got housing help	18%	5%	***	24%	9%	***
Gave housing help	14%	13%	***	22%	22%	
# non-nuclear household members	0.57	0.27	***	1.03	0.63	***
Homeowner	44%	70%	***	26%	52%	***
Has non-zero DB assets	15%	38%	***	7%	31%	***
Net worth	$ 112,595	$ 325,073	***	$ 34,250	$ 321,689	***
Total personal income	$ 26,412	$ 66,267	***	$ 19,650	$ 53,797	***
Total household income	$ 64,432	$ 117,447	***	$ 54,243	$ 101,311	***
$ support given as a share of income (median)	8%	6%	**	6%	4%	
$ support received as a share of income (median)	28%	9%	***	83%	7%	***

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those age 21+. Median value of total collective financial support given (received) as a fraction of personal income is calculated off a sample of respondents with non-zero financial support given (received) and non-zero income. ***/**/* indicates that the mean values differ between those with and without retirement balances significantly at the 1/5/10% levels.

Table 3a

PROBIT REGRESSION OF POSITIVE RETIREMENT SAVINGS BALANCES ON INDICATORS OF COLLECTIVIST BEHAVIOR, BY PERSONAL INCOME AMONG NON-HISPANIC/LATINOS

Quantile of the personal income distribution	1		2		3	
Positive Retirement Savings Balances	**dy/dx**		**dy/dx**		**dy/dx**	
Gave $ support to parents outside the house	0.080	**	-0.025		-0.064	
Gave $ support to child 21+ outside the house	0.024		0.008		0.055	
Gave $ support to relatives and non-relatives outside the house	0.019		-0.037		-0.069	*
Got $ help from family/ friends/community/charity	-0.015		-0.050		-0.072	**
Grandparent Childcare	-0.009		-0.009		0.025	
Relative Childcare	0.020		0.107	**	0.028	
Got housing help	-0.035	**	-0.047		-0.036	
Gave housing help	-0.028	**	-0.046	**	-0.020	
# non-nuclear household members	-0.015	***	-0.017		-0.039	***
Observations	10,978		6,780		6,249	
Pseudo R-squared	0.134		0.070		0.053	

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Regression also includes indicators of marital status, age, gender, immigrant generation, citizenship status, metropolitan area residence and an indicator of having moved from one's geographic region of birth. ***/**/* indicates statistical significance at the 1/5/10% levels.

Table 3b

PROBIT REGRESSION OF POSITIVE RETIREMENT SAVINGS BALANCES ON INDICATORS OF COLLECTIVIST BEHAVIOR, BY PERSONAL INCOME AMONG HISPANIC/LATINOS

Quantile of the personal income distribution	1		2		3	
Positive Retirement Savings Balances	**dy/dx**		**dy/dx**		**dy/dx**	
Gave $ support to parents outside the house	-0.032		-0.002		0.084	
Gave $ support to child 21+ outside the house	-0.017		0.147		-0.062	
Gave $ support to relatives and non-relatives outside the house	0.000		-0.031		0.062	
Got $ help from family/ friends/community/charity	-0.017		-0.037		0.184	
Grandparent Childcare	-0.002		-0.022		-0.097	
Relative Childcare	0.006		0.096		-0.073	
Got housing help	-0.047	**	-0.057		-0.165	
Gave housing help	-0.035	**	-0.043		-0.080	
# non-nuclear household members	0.000		-0.010		-0.019	
Observations	2,099		875		446	
Pseudo R-squared	0.190		0.142		0.112	

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Regression also includes indicators of marital status, age, gender, immigrant generation, citizenship status, metropolitan area residence and an indicator of having moved from one's geographic region of birth. ***/**/* indicates statistical significance at the 1/5/10% levels.

Table 4

ROLE OF COLLECTIVIST SUPPORT AMONG ELDERLY AGES 67+

Annual personal income	Those receiving collectivist support <$22,947	$22,947-$47,615	$47,616+
Collectivist support received as a fraction of total income among non-Hispanic/Latinos	49%	19%	14%
Collectivist support received as a fraction of total income among Hispanic/Latinos	56%	15%	6%
Fraction of non-Hispanic/Latino elderly who receive collectivist support	8%		
Fraction of Hispanic/Latino elderly who receive collectivist support	19%		

Data source: 2014 SIPP panel, wave 1. Data limited to individuals ages 67+ who receive collectivist support.

Table 5a

SAVINGS PORTFOLIOS OF HISPANIC/LATINO PRE-RETIREES AGES 55-66

	(A)	(B)	(C)	(D)
	Sufficient retirement savings		Retirement savings shortfall	
	Collectivist Assets			
	No	Yes	No	Yes
DB assets	$ -	$ -	$ -	$ -
Collectivist assets	$ -	$ 112,574	$ -	$ 91,667
DC Retirement assets (401k, 403b, 503b, and Thrift Savings Plan/IRA/Keogh)	$ -	$ -	$ -	$ -
Social Security Assets	$ 483,587	$ 432,684	$ 296,077	$ 266,330
Net worth (excluding DB/DC assets)	$ 20,326	$ -	$ 23,090	$ 400
Personal debt	$ 12,500	$ -	$ 9,000	$ -
Total savings (informal + formal)	$ 566,338	$ 545,258	$ 397,562	$ 418,992
Savings target	$ 199,598	$ 213,120	$ 2,540,160	$ 2,214,173
Savings shortfall	$ (473,489)	$ (361,423)	$ 2,135,531	$ 1,554,089
Social Security Assets/Total Savings	96%	85%	86%	65%
Net Worth /Total Savings	4%	0%	9%	0%
Collectivist assets/Total savings	0%	20%	0%	21%
Observations	23	18	363	53
Fraction of Pre-Retirees with NO collectivist assets who achieve sufficient retirement savings	6%			
Fraction of Pre-Retirees with POSITIVE collectivist assets who achieve sufficient retirement savings	25%			

Data source: Authors' tabulation of data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement. Sample is limited to respondents ages 55-66 with non-zero personal income. Median values are displayed.

Table 5b

SAVINGS PORTFOLIOS OF NON-HISPANIC/LATINO PRE-RETIREES AGES 55-66

	(A)	(B)	(C)	(D)
	Sufficient retirement savings		Retirement savings shortfall	
	Collectivist Assets			
	No	Yes	No	Yes
DB assets	$ -	$ -	$ -	$ -
Collectivist assets	$ -	$ 96,754	$ -	$ 106,638
DC Retirement assets (401k, 403b, 503b, and Thrift Savings Plan/IRA/Keogh)	$ -	$ -	$ 10,000	$ -
Social Security Assets	$ 454,315	$ 432,684	$ 373,410	$ 380,830
Net worth (excluding DB/DC assets)	$ 140,778	$ 3,025	$ 87,210	$ 2,850
Personal debt	$ 8,500	$ -	$ 18,500	$ 400
Total savings (informal + formal)	$ 651,965	$ 574,646	$ 599,648	$ 540,509
Savings target	$ 169,344	$ 217,512	$ 3,808,512	$ 2,030,054
Savings shortfall	$ (475,047)	$ (323,132)	$ 3,079,342	$ 1,530,454
Social Security Assets/Total Savings	66%	76%	57%	64%
Net Worth /Total Savings	31%	1%	26%	1%
Collectivist assets/Total savings	0%	16%	0%	22%
Observations	445	55	5149	385
Fraction of Pre-Retirees with NO collectivist assets who achieve sufficient retirement savings	8%			
Fraction of Pre-Retirees with POSITIVE collectivist assets who achieve sufficient retirement savings	13%			

Data source: Authors' tabulation of data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement. Sample is limited to respondents ages 55-66 with non-zero personal income. Median values are displayed.

Appendix

a. Formal Assets

Whereas the SIPP provides a direct measure of personal net worth, the values of the other formal assets (Social Security and DB/DC pensions) have to be estimated.

1. Value of Defined Benefit pensions

The SIPP data on defined benefit (DB) pensions include information on an individual's current DB plan and DB benefits from one (and only one) previous employer. For respondents who indicated that they participate in a DB pension at their main job/business, and for those age 25+ who expect to receive pension benefits from a DB plan at a previous employer, the annual DB pension amount is assumed to equal 1.5% of annual pay times the number of years spent working for the employer[7]. For those eligible to receive benefits from a DB plan at a previous employer, we use the number of years worked there and an estimate of their final earnings with that employer; the latter is computed by assuming that earnings grow at an annual rate of 1.5% and by deflating current earnings based on the number of years since they left that job[8]. We assume that DB benefits pay out starting at age 67 and we calculate the value of the lifetime stream of these benefits upon reaching age 67 using the probability of survival to age 100[9] and assuming a 30-year treasury rate of 3%.[10] To estimate the present value of this lifetime stream for each person (at any age), we figure the probability of survival until age 67 and the number of years until reaching age 67.[11] In both calculations, we separate men and women.

2. Value of Social Security benefits

Social Security benefits are estimated under an assumption that respondents retire at age 67. The estimation requires a calculation of average indexed monthly earnings from a worker's 35 highest earning years. As we do not observe lifetime earnings, we assume the age-earnings profile in the current data sample approximates the distribution of earnings over a worker's lifetime. We estimate mean annual earnings for each age group in the current data sample and compute the average of mean annual earnings for the past 35 years for individuals ages 31 and over[12]; this approximates the average indexed monthly earnings (AIME) from the 35 highest earning years. Individuals are assumed to begin working at age 21, so the AIME calculation for an individual age 31 includes 25 zeroes (a zero-income value for each year they were not working before age 21).

The estimate of AIME is plugged into the Social Security benefit formula to calculate an estimated lifetime monthly benefit. For respondents ages 60 or younger, the 2020 Social Security formula bend points are used; for those aged 60, bend points for 2019 are used (and so on for ages 61-66, where those aged 66 use the 2014 bend points). Estimated Social Security monthly benefits are multiplied by 12 to get annual benefit amounts. These estimated annual benefit amounts allow us to calculate the present value of the stream of Social Security lifetime benefits at

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[7] Common benefit formulas in single employer plans include dollars times service, career average pay, and final average pay. For career average pay, a common benefit formula is the sum of 1.5% of plan year compensation for each plan year in which service is earned (AICPA 2020).

[8] Gould (2020) finds that real earnings for the bottom 90% grew at a rate of 1.5% between 2014-2018.

[9] The calculations are not very sensitive to the assumed life expectancy.

[10] For men: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=19.63. The 30-year treasury rate fluctuates over time. It has dropped steadily from 4.52% in July 2009 to 2.28% in March 2021. We chose a 3% rate as a forecast going forward.
for women: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=20.07.

[11] Pr(surviving to age 67)/$(1+0.03)^{\text{number of years until age 67}}$

[12] Workers become eligible to receive Social Security benefits if they have worked a minimum of 10 years.

age 67.[13] The present value of this stream of Social Security benefits is computed separately for men and women, for each age, using the probability of survival until age 67 and the number of years until reaching age 67.[14]

For respondents who are already receiving Social Security benefits for themselves, we use current monthly Social Security benefits instead of estimated benefits in the calculation of Social Security lifetime benefits. For widows and spouses, we estimate Social Security lifetime benefits using current monthly Social Security benefits, as long as the widow or spousal benefit exceeds the benefits they would get based on their own earning history. We also calculate the present value of the stream of these benefits from current age through age 67. Total Social Security assets include the present value of the lifetime stream of Social Security benefits that begin at age 67 plus the value of any benefits received from Social Security now through age 67.

3. Value of other pension benefits

The SIPP collects data on other currently received pension benefits (exclusive of DB benefits calculated earlier) in the wave 1 data, including defined contribution (DC), IRA's, etc. We calculate the present value of this stream of benefits from now through age 100 using the same methodology described above.

b. Informal Assets

Although SIPP does not measure collectivism directly, the SIPP does offer information on amounts of direct financial support exchanged beyond the nuclear family with friends, relatives, charity and community organizations. The SIPP also contains information on whether people gave or received in-kind, or non-monetary help, but, unlike with financial support, the SIPP does not provide monetary values for this type of assistance. We assume the age profile of median collectivist support received in the current data sample approximates the distribution of collectivist support over a person's lifetime. The present value of this lifetime stream of benefits is calculated separately for men and women, using the probability of survival to age 100, the growth rate of collectivist support over the age profile, and assuming a 30-year treasury interest rate of 3%. This calculation yields a value of lifetime collective assets owned by each individual at this point in time.

The most salient forms of in-kind, collectivist support documented in the SIPP data are housing and childcare. We track down the receipt and provision of housing help to non-nuclear family members and assign a value to these exchanges. We also develop a method for attributing a value to childcare assistance provided by grandparents and other relatives. Below is a detailed description of the methodology used to attribute monetary values to collective, in-kind housing assistance and childcare help.

1. Housing

For those individuals who are living in a household where they are neither the main householder nor a nuclear family member, the value of in-kind housing support received is assumed to equal the monthly cost of housing for the household divided by the number of people living there. Older children ages 21+ are not considered part of the

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[13] For men: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=19.63.
For women: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=20.07.
[14] Pr(surviving to age 67)/$(1+0.03)^{\text{number of years until age 67}}$

nuclear family unit, and if they continue to live at home, the value of the housing is considered to be a form of in-kind collectivist support received.

For those who rent or own their home but still owe money on their mortgage, the monthly cost of housing for the household equals the amount spent each month on rent or mortgage payments and utilities. For those who own their homes with no mortgage, the annual cost of housing is estimated to be worth 5.8% of the home value (Aten 2017); this amount is divided by 12 to yield a monthly cost of housing for the household. For those who live rent free, the monthly cost of housing is assumed to equal 30% of the household income (Madden and Marcuse 2016 and Florida 2018). As mentioned above, the monthly cost of housing for the household is divided by the number of people living in the household to yield the value of housing support received by each household member.

2. Childcare

How do we value the time that grandparents and other relatives spend caring for children? The 2014 SIPP data contain information on the dollar amount spent on childcare per week. Assuming that children under the age of 6 require care from 8AM-7PM, five days a week (55 hours per week), we divide the dollar amount spent on childcare each week by 55 hours to get an estimated hourly rate of $3.51 for childcare services.[15]

When a reference parent indicates that their child is cared for by a grandparent (or other relative), the value of this support is estimated as the $3.51 hourly rate times the average number of hours provided by grandparents (or other relatives) for each child.[16] The SIPP 2008 panel reveals that grandparents who provided childcare spent an average of 21.09 hours per week taking care of grandchildren under the age of 6 and 13.27 hours per week looking after children ages 6-14. Similarly, other relatives who were tasked with childcare spent an average of 15.47 hours per week taking care of children under the age of 6 and 12.06 hours per week with children ages 6-14. This information was phased out of the 2014 SIPP data, but we assume that the weekly hours spent on childcare did not change significantly between the 2008 and 2014 SIPP panels. The childcare component of collectivist support is likely more important for the cohort of younger adults with small children.

Collectivist support includes the financial help from family and friends, as well as the value of housing and grandparent/relative provided childcare received. Our use of the term collective assets assumes that the level of help currently received will continue to be forthcoming until the person dies. The present value of this lifetime stream of benefits is calculated separately for men and women, using the probability of survival to age 100 and assuming a 30-year treasury interest rate of 3%. This calculation yields a value of lifetime collective assets owned by each individual at this point in time.

[15] The calculation focuses on households with only one child under age 6 to avoid a situation where the caregiver is paid the same rate to care for multiple children.
[16] The amount spent on childcare may be biased downward if households receive free childcare for part of the week. This would undervalue childcare services provided by grandparents and other relatives. On the other hand, to the extent that grandparents and other relatives may be caring for more than one child at the same time, but getting paid per hour per child, the value of childcare services may be overvalued.